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Why U.S. Shifted to a Hard Line

Soviet Expulsions Tied to Reagan Anger

By ROBERT C. TOTH, *Times Staff Writer*

WASHINGTON—President Reagan, embarrassed at being forced to negotiate with Moscow for the freedom of U.S. journalist Nicholas Daniloff and grim over the failure of the Iceland summit, played the crucial role in the decision to expel Soviet spies in record numbers last week—even at the risk of endangering progress on arms control and a future summit.

According to senior Administration officials involved in the process, which climaxed in the largest reciprocal expulsions of Soviet and American diplomatic personnel in the history of superpower relations, it was Reagan's welling anger that swept away long-established U.S. priorities and set the government on its hard-line course.

"In the end," said one intelligence source in describing the behind-the-scenes maneuvering that led to the decision, "it was a pincer movement with the Senate, the FBI and an angry President forming the pincers."

For a decade and more, officials responsible for counterespionage had argued that Soviet spies operating under diplomatic cover were multiplying faster than the U.S. government's ability to watch them. But throughout that period, and continuing into the Reagan Administration, the State Department and the CIA had successfully argued against cutting back on Soviet intelligence officers using diplomatic cover in this country. The inevitable Soviet retaliation would reduce the slots available to the CIA in Moscow, which were particularly valued because of the closed nature of the Soviet police state.

This time, however, the balance had shifted. For almost a year, the case for taking action had been quietly gaining strength inside the Administration: A chain of unsettling spy cases beginning at least two years ago, damage inflicted by a CIA defector on U.S. intelligence assets inside the Soviet Union, growing pressure from Congress and other factors had eroded the old objections to pruning back Soviet operations in this country.

The change in the CIA's attitude was especially important.

"Tit-for-tat wasn't going to be as bad after the damage that (CIA defector) Edward Lee Howard did to us in Moscow" last year, one source said. "The agency was hurt very badly by Howard."

Against this background, the State Department was in a poor position to press the traditional argument that tit-for-tat expulsions would cause problems for U.S. diplomats in Moscow, especially if—as happened—the Kremlin pulled all Soviet workers out of the American Embassy.

And Reagan's hardening attitude was the final catalyst for change.

"We were all in sync on this," said one senior government official. "The State Department may have had to ruminate about it, but nobody was overriden in the final decision."

Government officials described the shaping of Reagan's attitude this way:

"When the President decided to get Daniloff out of jail, it unsettled our principle of not negotiating to free hostages," one official said. "But in the course of getting him out—as a humanitarian act because it was the right thing to do, not to salvage the summit—the President let the Soviets know what the situation was and that there would be further retaliation."

Reagan Takes Lead

It was Reagan who took the lead in insisting that the Kremlin would have to pay for demanding that Soviet spy Gennady Zakharov be released as part of the deal to free Daniloff, the U.S. News & World Report correspondent in Moscow who was seized after Zakharov's arrest, the official said. The expulsion decisions were made at two different Cabinet-level meetings attended by top intelligence and national security officials, he said.

Reagan's experience with Soviet leader Mikhail S. Gorbachev in Iceland further hardened the President's attitude. In meetings, Reagan made it clear that he still wanted a summit, but "not at the price of allowing espionage to go unchecked," an official said.

In all, the rapid-fire series of tit-for-tat expulsions, involved a total of 10 American and 80 Soviet diplomats—including 25 Soviets attached to the Kremlin's United Nations mission in New York. Now both nations will have equal numbers of accredited diplomats—251—for the first time since at least World War II.

The expulsions constituted a major victory for the FBI. As the agency with primary responsibility for counterespionage, its constant message had been: "Give us fewer to watch," as one FBI official said, because drastically reduced numbers of Soviet diplomats in this country would be easier to keep under surveillance.

"We've been smiling for days," said another FBI official Friday. And other government officials concerned about the Soviet spy threat talked last week of the "decapitation" of KGB operations in the United States.

"It is probably the end of an era as far as Soviet operations in the United States are concerned," another was quoted as saying.

Initially, the President's order appeared so radical that even some of his allies feared the flamboyant reciprocal expulsions would jeopardize U.S.-Soviet efforts to revive progress on arms control. But as both he and Gorbachev sought to insulate arms negotiations from the personnel cuts, allied concerns quieted and this country as a whole appeared to endorse Reagan's toughness on Soviet spying.

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What is generally unrecognized however, is that last week's events were the culmination of a much longer and far less publicized campaign within the Administration and, more importantly, within the Congress to lance the boil of Soviet espionage in the United States.

It began even before this Administration, when members of the Jimmy Carter Administration sought to loosen some of the constraints on counterespionage by the FBI and CIA, constraints that had been imposed as a result of sensational congressional hearings on intelligence abuses during the previous decade.

Most of those abuses dealt with violating the civil liberties of Americans, by electronic eavesdropping and mail openings, however, and moves toward greater flexibility for American counterspies ran head-on into opposition from civil liberties organizations and their congressional champions.

At the same time, then Atty. Gen. Griffin Bell broke new ground—and set the pattern for the recent U.S.-Soviet confrontation over Daniloff—by persuading Carter to prosecute Soviet agents when they were not covered by diplomatic immunity, rather than simply expelling them as had been done previously.

In 1978, Rudolf P. Chernyayev and Vladik A. Enger, two Soviet employees of the United Nations, who did not have the protection of diplomatic credentials, were sentenced to 50 years in prison here for spying. The Soviets then arrested Francis Jay Crawford, an American businessman in Moscow, for alleged currency violations. Crawford was expelled from Russia after receiving a five-year suspended sentence. The two Russians were then exchanged for five Soviet dissidents in 1979.

When Reagan entered the White House, his new National Security Council staff for intelligence matters was headed by Kenneth B. DeGraffenreid, a conservative who had been a staff member of the Senate Intelligence Committee. DeGraffenreid sorely felt the need to make counterespionage efforts more effective by creating a new body to coordinate all efforts.

This view was pushed by a Consortium for the Study of Intelligence, funded by the National Strategy Information Center and headed by Roy Godson, who teaches at Georgetown University and serves as a consultant to the National Security Council.

But it was opposed by the major intelligence officials, including CIA Director William J. Casey and FBI Chief William H. Webster, as well as by key senators, who feared that a coordinating counterintelligence service would become the embryo of a national police force whose threat to civil liberties would far outweigh its potential for catching more Soviet spies.

The standoff remained through Reagan's first term, Godson observed in a recent article in the "American Defense Annual." During the years of apparent impasse, however, two significant steps were taken to meet the Soviet spy threat:

—More money was put into counterintelligence. In 1982, a five-year program was undertaken to double the number of FBI counterspies, which was the fastest such agents could be trained and absorbed. Through the 1970s, the FBI had fewer agents than suspected Soviet and allied-bloc spies in the United States.

Now the ratio is reversed, but may still be too small, some experts say, even after the latest expulsions. Calculating the optimum force is difficult both technically and politically, however.

Technically, the operating area of the Soviet suspect is a significant factor. Ten FBI agents might not be enough to trail one Soviet agent in New York, for example, given Manhattan's subway system, whereas a 4:1 ratio is normally sufficient in other cities.

Politically, there is the difficult question of how to factor in the new flood of Chinese diplomats and students, who may not be as hostile to the United States as Soviets are, but still could pose some threat. Another imponderable is whether the Soviets will increase their "illegals"—agents who never go near a Soviet embassy or mission—and/or use Warsaw Bloc nationals to compensate for the new expulsions.

—A new Office of Foreign Missions was created in 1982 in the State Department. Run by James Nolan, a former FBI counterintelligence official, its purpose is to impose reciprocity on U.S. relations with other nations. Soviet diplomats here are now required to go through the U.S. bureaucracy for apartments, license plates and airplane and hotel reservations. Their movements thus are controlled, just as U.S. diplomats in Moscow have been restrained.

Webster Called Key

Beyond specific measures, however, events were helping form a consensus in Congress and the Administration for tougher steps. Spy cases surfaced on the West Coast, for example, such as that of William H. Bell and James Harper, who sold aircraft radar and ballistic missile secrets to Polish agents. And the United States appeared to have foolishly granted the Soviets permission to build new diplomatic offices in Washington on high ground that is ideal for electronic eavesdropping. By contrast, the new U.S. Embassy in Moscow sits in a swamp along the river.

The key figure in the Administration responsible for the new consensus was FBI Director Webster, who had the respect of both liberals and conservatives, according to congressional and other intelligence sources, and his view was that something significant had to be done to curb the spy activities fostered by an ever-rising number of Soviet "diplomats" entering the United States.

"When Webster said there was a problem with Soviet spies—and he did so without raising the roof that the 'Reds are coming' or wanting to infringe on civil liberties—there was a ripple effect up on Capitol Hill. Men like Sen. (Patrick J.) Leahy (D-Vt.) and Sen. (Walter) Huddleston (D-Ky.) felt comfortable with him," a congressional source said. Sens. Dave Durenberger (R-Minn.) and William S. Cohen (R-Me.) shared the view of Webster, according to the source.

Webster's argument was that "we don't need to go back to breaking U.S. laws to get at this problem, we can do it by reducing Soviet numbers," this source said.

An indication of anti-Soviet sentiment in Congress over spying was evident in 1983 when the Soviets shot down Korean Airlines Flight 007 in Soviet airspace near the Kamchatka peninsula. Huddleston, then an influential member of the Senate Intelligence Committee, sought to close the Soviets' consulate in San Francisco in retaliation. The move was abandoned but the effort fueled determination to cut the number of Soviet officials in this country.

And in 1984, Congress adopted a little-publicized amendment to the 1985 intelligence budget requiring annual reports on steps to reach

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equality in the number and treatment of U.S. officials in the Soviet Union and Soviet officials here. It was the first move toward equality of diplomats on both sides that climaxed in the expulsion of the final 55 Soviet officials last week.

And in 1985, when Durenberger became chairman and Leahy vice chairman of the Senate Intelligence Committee, they set as its first priority a comprehensive review of U.S. counterintelligence capabilities.

That year became "The Year of the Spy" and produced "a major shift in the perspectives of several of the key players" toward counterintelligence, Godson wrote.

The spring and summer of last year saw an almost continuous string of unsettling disclosures, from bugged typewriters and other security failures at the U.S. Embassy in Moscow to the dramatic family spy ring of ex-Navy man John A. Walker Jr., who sold U.S. submarine secrets of incalculable value to Moscow. And a Soviet secret policeman, Vitaly Yurchenko, defected to this country, then redefected to the Soviet Union—amid great embarrassment to the CIA and the FBI.

Before returning to Moscow, Yurchenko provided information about at least two U.S. spies, former CIA agent Howard, who had revealed to the Soviets virtually all the secret agents the CIA had in Moscow, and Ronald J. Pelton, a retired National Security Agency cryptographer, whose information described a U.S. submarine surveillance system to the Soviets.

Chin, Pollard Cases

Heightening the political furor, Larry Wu-tai Chin, a Chinese agent, was exposed. He committed suicide after his arrest. An Israeli agent, Jonathan Jay Pollard, a Navy intelligence official, also was arrested.

Congress pressed more directly for equality between U.S. and Soviet diplomats. The State Department responded this summer by promising to put more U.S. officials in Moscow rather than reducing the Soviet numbers here. A fierce inter-agency battle erupted between the State Department and the CIA, which favored more U.S. officers in Moscow, and the FBI and the White House staff, which wanted fewer Soviets here.

The State Department pointed out that the Soviets bring all of their clerical and menial help with them, while the United States uses Russians in Moscow for non-sensitive tasks. To substitute U.S. citizens for Russians in Moscow would cost as much as $100,000 each year per person, it was estimated.

Nonetheless, Congress directed the State Department to replace Soviet employees in Moscow and Leningrad "to the extent practical." It also, in early 1986, ordered the first cuts in Soviet U.N. mission manpower, and the State Department told the Soviet mission to reduce its personnel by 25, from 243 to 218, by Oct. 1 as the first step toward a one-third staff cut by April, 1988.

The Soviet U.N. Mission, explained U.S. officials, had more than twice the number of diplomats of any other mission at the international organization. But the Soviets protested that Washington's actions were "absolutely illegal" in attempting to limit their U.N. mission size. The stage was set for at least a low-level confrontation.

Arrest of Zakharov

Into this volatile brew at the end of August came the arrest of Zakharov, a Soviet physicist working for the United Nations. Zakharov was picked up after he bought classified data from a double agent working for the FBI. Soviet efforts to get Zakharov released to the custody of their ambassador were rejected by a federal court in New York.

One week later, Daniloff was arrested after being handed a package that included a Soviet map of Afghanistan marked secret. He was kept in prison for two weeks before both he and Zakharov were released to their respective ambassadors.

It appeared to be a trade in everything but name, and it embarrassed Reagan, several sources said.

When the Soviets appeared to balk at reducing the U.N. mission by 25, U.S. counterespionage officials seized the opportunity to name the 25 who must leave, a unique chance to chose all intelligence men, including the chief KGB secret police and GRU military intelligence officers, whose names allegedly were provided by Zakharov during interrogation.

Two weeks later, both Daniloff and Zakharov were expelled, one day apart.

At the same time, the Soviets were told that if they retaliated for the reduction in their U.N. mission, "we would insist that our two embassies go down to equal levels of staff members," according to Patrick J. Buchanan, White House communications director. "They called us, and we had the cards."

Thus, when the Soviets expelled five Americans in retaliation, the President ordered 50 more Soviets out of the country to reach the equal levels.

Also contributing to this story were Times Washington Bureau Chief Jack Nelson and Times staff writers Ronald J. Ostrow and Michael Wines.